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PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHVB #1014/01 3201149
ZNY CCCCC ZZH
P 161149Z NOV 07
FM AMEMBASSY ZAGREB
TO RUEHC/SECSTATE WASHDC PRIORITY 8333
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 001014

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FOR EUR/SCE AND EUR/PPD

E.O. 12958: DECL: 11/16/2017
TAGS: [PGOV](#) [HR](#)
SUBJECT: ELECTIONS 2007 - THE HDZ AT A GLANCE

REF: A. ZAGREB 981

[1](#)B. ZAGREB 950
[1](#)C. ZAGREB 938
[1](#)D. ZAGREB 864

Classified By: Rick Holtzapple, POL/ECON, Reasons 1.4 B/D

[1](#)1. (SBU) SUMMARY: As part of our series of pre-election reporting (REFS A and B), this cable looks at the prospects for the ruling HDZ to remain in power. Less than ten days before November 25 parliamentary (Sabor) elections, the ruling Croatian Democratic Union (HDZ) remains locked in a dead heat with the opposition, s left-of-center Social Democratic Party (SDP). Led by Prime Minister Ivo Sanader, in the post-Tudjman era the HDZ has evolved from its nationalistic beginnings to a much more main stream, right-of-center political force. Despite progress in reforming the party, the HDZ's efforts to retain control of the government may be undermined by continued accusations of corruption and significant concerns over unemployment. The HDZ campaign has focused on Sanader, a positive portrayal of Croatia's recent economic performance, a call for no new taxes, and attacks on the SDP as a left-wing party, morally lax party with weak leadership. The HDZ will rely in part on traditional bastions of conservative support such as the Catholic Church and the Bosnian Croat community, but must also appeal to centrist voters. HDZ majority is likely to be so thin that potential coalition partners will drive harder bargains than they did in 2003, when a strong HDZ plurality made forming a coalition to govern a relatively simple task. An HDZ government that relies on diaspora seats for a majority could also face fierce attacks from the opposition over its legitimacy to govern. END SUMMARY

THE TRUMP CARD: IVO SANADER

[1](#)2. (SBU) In the post-Tudjman era it is impossible to talk about the HDZ as a party without focusing on its leader, Prime Minister Ivo Sanader. Though inauspicious and unremarkable in his beginnings as party president in 2000, Sanader has proven to be a powerful political force. Having originally played a nationalist card with harsh criticisms of the ICTY, Sanader then purged the party of its more radical elements and attempted to cast himself as a solid European Christian Democrat. His presentation of the party as a reformed, pro-West alternative to the SDP government resonated with voters, and the HDZ returned to power in 2003 with Sanader at its head. In the current campaign, Sanader is attacked from the far-right as a "sell-out" and "traitor" for having facilitated the arrest of ICTY indictee General Ante Gotovina. But Croatia's success at moving toward NATO and the EU during the HDZ's term have bolstered Sanader's image, even among many Croatians who may not vote for him, as a strong and effective leader.

THE WEAK SUITS: EVERYONE ELSE

¶3. (C) In many ways, Croatian voters appear to believe more in him as a leader than the party itself. Following HDZ's win in 2003, Sanader solidified control of the party by surrounding himself with loyalist ministers. While assuring his authority within the party, many members of his team lacked the requisite skills to be effective leaders in their respective fields. With the possible exception of Science and Education Minister Dragan Primorac, the government has no stars other than the Prime Minister. Even the most professional of the rest, such as FM Kolinda Grabar Kitarovic, have fairly weak public images. Sanader will likely make changes within his team should HDZ win the upcoming elections, but HDZ's chances largely ride on voters, belief and trust in Ivo Sanader the man, rather than the HDZ as a party.

HDZ VULNERABILITIES: PUBLIC PESSIMISM, DESIRE FOR CHANGE

¶4. (SBU) The economic trends under the HDZ have been in the right direction: growth is up, unemployment is high but dropping, and the state is gradually reducing its role in the economy. While most of these changes began under the previous, SDP-led government, the HDZ takes some credit for maintaining their momentum. However, recent poll results from the International Republican Institute (IRI) indicate that 57 percent of Croatians still feel the country is headed in the wrong direction. Much of this pessimism about the HDZ led government is centered on the two issues which respondents said were most important: unemployment and perceptions of corruption. IRI polls showed 84 percent of Croatians were dissatisfied with the current governments, efforts to fight corruption in State institutions. Eighty-three percent felt the same way about economic development and reduction of unemployment. While

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privatization efforts like the sale of shares in Hrvatski Telekom to the Croatian people (REFS C and D) have been a popular move, Croatians often view the broader issue of privatization in a negative light. Past abuses and accusations of cronyism have tainted the process, and the HDZ, in power for 13 of the 16 years since independence, receives most of the blame for these abuses.

¶5. (SBU) In response, the HDZ campaign has focused on three areas: getting Sanader out on the campaign trail; reminding voters of HDZ achievements such as increased growth, free school textbooks and paying off of much of the pensioners' debt; and attacking the SDP's proposals to introduce a capital-gains tax, to ensure that religious instruction in public schools is truly optional, and to decriminalize minor drug possession as efforts to "tax your house, throw religion out of the schools, and legalize drugs." Sanader claims these tactics are bearing fruit. On November 9, he told a visiting US delegation that private HDZ polls showed his party ahead of the SDP by two to three points among domestic Croatian voters. A few days later, at an HDZ rally in Split, the alleged lead was four to five points.

¶6. (SBU) The HDZ also has a built-in advantage under Croatian election laws that guarantee seats in the Sabor for the Croatian diaspora, which is dominated by Bosnian Croats. The number of seats depends on relative turnout, but the diaspora will probably secure between three and six seats in the next Sabor, alongside the 151 representatives elected domestically. With the SDP lobbying to change the electoral law to abolish the diaspora seats, and declining to even field a slate of candidates in the diaspora (11th) constituency, these seats are a virtual lock for the HDZ.

SEARCHING FOR PARTNERS

¶7. (SBU) Even under Sanader's rosier predictions, however, the HDZ almost certainly cannot earn an absolute majority in the next Sabor. And in the absence of a clear win for the

HDZ in Croatia's ten domestic electoral districts, this may present a challenge. HDZ Secretary General Ivan Jarnjak has told us the only party the HDZ would refuse to allow into a coalition is the SDP. But at least two smaller parties -- the Istrian Democrats (IDS) and the Croatian People's Party (HNS) -- are unlikely to join an HDZ coalition. The eight reserved minority (Serb, Italian, Czech, etc.) seats in the Sabor traditionally vote with the party receiving the plurality of votes, and currently vote with the government; but their natural coalition partner, from an ideological perspective, is the SDP. A major question is whether a paucity of potential coalition parties might force the HDZ to consider including the far-right Croatian Party of Rights (HSP) in a governing coalition. While the HSP has reformed from its war-time image as a gang of neo-Nazi sympathizers, it still represents a black-sheep/black-shirt strain of Croatian politics. Jarnjak indicated the HDZ would prefer not to include the HSP in a government, but would not exclude the possibility.

BRADTKE